

An Organizational Field Position Lens on MNCs' Post-Entry Strategies in Emerging Markets

ABSTRACT

Although the concept of organizational fields is well established in organization theory, it remains under-explored in international business. Meanwhile, since field positions act as a predictor of corporate behavior, we propose that they could act as a particularly useful lens to explain agency by multinational corporations (MNCs) in host markets, not least emerging economies. Drawing on the recently proposed concept of institutional strategies, we theorize when, how, and to what extent MNCs occupying central, peripheral and intermediate field positions manifest agency in emerging markets. Using theoretical arguments and empirical examples, our work develops a *dynamic* view of field positions, thus identifying MNCs' repositioning trajectories in fields driven by environmental and corporate factors and the associated changes in the form and scope of institutional strategies deployed by MNCs in such markets. We offer testable propositions and outline directions for future research into MNC agency in host markets.

Keywords: Multinational Corporations (MNCs), Emerging Markets, Organizational Fields, Institutional Strategies

1. Introduction

Institutional arrangements define the social context in which organizations are embedded and which shape organizational actions (DiMaggio and Powell 1983; Scott 2001). Due to their global presence, multinational corporations (MNCs) span multiple institutional settings and thus face complex societal expectations (Kostova and Roth 2002). How MNCs manage these pressures has become a major field of inquiry within international business (IB) scholarship (Kostova et al. 2008). Until recently, isomorphism, or compliance with local institutions, was seen as the focal means for MNCs to secure legitimacy¹ and survive in host countries (Kostova and Zaheer 1999; Wu and Salomon 2016). Increasingly, research has shown that MNCs can proactively respond to local institutional pressures and in some instances deviate from their prescriptions by introducing foreign practices and strategies or even changing institutions to support their own strategic objectives (Regnér and Edman 2014; Fortwengel and Jackson 2016). There is now a growing understanding of MNC-specific mechanisms that could support these efforts (Fortwengel 2017). Meanwhile, why some companies may be better positioned to deal with institutional differences through particular proactive or reactive strategies has been less understood.

In this paper, we address this question by arguing that strategic responses to institutions are not equally available to all MNCs² but will depend on their social positions in the local context, defined by neo-institutional scholars as the organizational field. A cornerstone concept in institutional literature, the organizational field draws attention to actors' embeddedness within the network of relationships as the enabling condition for agency (Zietsma et al. 2017; Wooten and Hoffman 2008). Fields constitute epistemic communities in that their members

¹ Legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995, p. 574). Legitimacy is socially constructed and conferred by organizational field audiences upon MNCs and, to that extent, is crucial to firm performance and survival in host markets.

² In this paper, we use the term “MNCs” to refer to local subsidiaries, unless otherwise specified. We explicitly use the term “headquarters” (“HQ”) to refer to the corporate parent.

interact “more frequently and more fatefully with one another than with actors outside the field” (Scott 2001, p. 84) and actors’ agency includes choices and actions through which “organizations can deliberately modify, and even eliminate, institutions” (Barley and Tolbert 1997, p. 94). Literature has recognized that organizational actors may occupy different field positions, which in turn provide them with different choices to respond to institutional pressures (Kim et al. 2016), and degree of interest in inciting institutional change or maintaining current institutions (Battilana et al. 2009). Although IB scholars have acknowledged differences in subsidiary size, status, embeddedness and visibility along with their consequences for non-market strategies in host countries (e.g., Hillman and Wan 2005), few works have explicitly problematized subsidiary field positions. As they are associated with different repertoires of responses to institutional pressures (Kim et al. 2016), introducing the distinction between *central*, *peripheral*, but also *intermediate* positions, can provide an in-depth understanding of when, how, and to what extent MNCs engage agentially with host country institutions.

We confine our analysis to the context of emerging markets (EMs) due to their ever-growing importance for MNCs’ global strategy (Kostova et al. 2008). The dynamic nature of EMs, however, creates idiosyncratic institutional challenges for MNC managers (Meyer and Peng 2016). For instance, Luo et al. (2002) highlighted the importance of MNC adaptation in China, showing that it was facilitated by “isomorphic mimicking” of local companies through *guanxi* adoption. Yildiz and Fey (2012), however, proposed that in transition economies, where institutional demands are in flux, MNCs might adopt alternative strategies to secure legitimacy from local audiences. MNCs could reduce reliance on local constituents through global procurement strategies, leverage positive stereotypes to curb ethnocentrism and reduce pressures for isomorphism and discrimination by the governments using local favorability toward foreign direct investment (FDI). While undoubtedly useful, these strategies are

ultimately passive as they do not entail active engagement with institutions that create challenges for MNCs in the first place.

Recent studies have positioned EMs as generally receptive to MNC-initiated institutional change, due in part to institutional weaknesses and voids prevalent in such markets (Doh et al. 2017). For example, Regnér and Edman's (2014) study shows that the lack of institutions (regulations and/or technical standards) served as a particularly enabling context for the introduction of supportive institutional arrangements by Ericsson in Southeast Asia or AGA in Eastern Europe. Thus, elaborating the range of ways in which MNC can engage with institutions in EMs to pursue their strategic objectives, Marquis and Raynard (2015) formulated the concept of institutional strategies. By applying an institutional lens to non-market strategy literature, they identify three categories of strategies open to actors in EMs: *relational*, *infrastructure-building* and *socio-cultural bridging* strategies. Although not specific to foreign companies alone, we contend that these strategies may be particularly relevant for MNCs, as they strive for both legitimacy and more favorable FDI conditions in host markets. The first type includes strategies to forge and manage relationships with external stakeholders, including national governments, that may control resources pivotal to MNCs' operations. Strategies in the second category address missing or inadequate regulatory, technological and physical infrastructures in host markets that are directly relevant for MNCs by constructing formal (e.g., legislation or standards) or informal arrangements (e.g., networked or collective efforts). Socio-cultural bridging refers to corporate influence upon demographic and cultural dimensions of the host context, including those that affect MNCs' ability to tap into local talent pools.

Our paper makes several contributions to the literature. First, by theorizing on the ability of subsidiaries to pursue particular institutional strategies in EMs as a result of occupying specific field positions, we offer an important nuance to the conceptualization of MNCs as 'change agents' in host countries (Kwok and Tadesse 2006). Specifically, we argue

that different field positions influence configurations of MNCs' post-entry agency in response to EM institutions. Second, we develop a *dynamic* perspective on MNC organizational field positions in host markets by identifying trajectories and circumstances under which MNC occupancy of field positions may change as a result of (1) external forces and (2) internal strategizing in turbulent EM conditions. In doing so, our paper also contributes to the recent debates on field positions in neo-institutional theory by proposing an alternative conceptualization of intermediate field positions (cf. Wright and Zammuto 2013). Finally, we respond to the calls for more substantially incorporating the concept of organizational fields into the study of MNCs (Phillips and Tracey 2009; Phillips et al. 2009) and offer testable propositions for further research.

2. Theoretical Background

2.1. Field position and agency in organization theory

Organizational theory holds that actors can occupy peripheral, central or intermediate field positions, each associated with different degrees of interest and capacity to promote institutional change (Maguire and Hardy 2009; Zietsma et al. 2017). This interest is institutionally shaped insofar as it is a product of the extent of power and control of resources associated with the position that actors can draw upon to enact institutional change or maintain the status quo (DiMaggio 1988; Battilana et al. 2009). Supporting resources range from tangible (including financial and human resources) to intangible (such as social capital, legitimacy, and reputation). Actors engage in divergent change when their resources are poorly utilized or insufficient to succeed under existing institutional arrangements (Battilana and Leca 2008).

Thus, *peripheral* actors, who are weakly embedded in the institutional environment and loosely connected to other actors in the field, often possess awareness of alternative institutional arrangements, a prerequisite for institutional change (Leblebici et al. 1991; Seo

and Creed 2002). Typically, however, they lack tangible or social resources, such as status and legitimacy, thus warranting compliance with field rules. To challenge dominant institutional prescriptions, such actors may need to co-opt central actors (Beckert 1999) or join forces with other peripheral players (Dorado 2005).

Central actors are strongly embedded in the institutional environment and tightly connected to other actors in the field. A central position is privileged as the existing institutional arrangements usually serve the interests of predominantly central actors. Their practices, most frequently, are seen as legitimate and dominant within the field (Lawrence 1999). As a result, they may not be motivated to change the existing order (Battilana et al. 2009). However, if and when central actors seek to incite institutional change, they can benefit from preferential access to critical financial and political resources (Greenwood and Suddaby 2006).

Intermediate actors are those positioned between the center and periphery of organizational fields (Wright and Zammuto 2013). To date, peripheral actors have been narrowly associated with the concept of ‘middle-status conformity’ with dominant institutional prescriptions (Phillips and Zuckerman 2001), causing a lack of attention to these actors in extant research (Zietsma et al. 2017). Meanwhile, intermediate positions can offer a particularly powerful way of understanding actor transition in between field center and periphery, adding nuance to actors’ manifestations of reflexivity and motivation for change. Such dynamics, which we explore below, are amply demonstrated in the experiences of MNCs in the institutional context of EMs.

2.2. Institutional context in emerging markets

The set of strategies that MNCs can deploy is likely to be shaped by the idiosyncrasies of EMs where periods of radical change have become a regular occurrence (Marquis and Raynard 2015; Meyer and Peng 2016). We argue that the assumptions of malleability and newness of EM context to MNCs no longer hold consistently across all EMs. First, EMs have changed

considerably over recent decades, and historical arguments of their institutional weakness are augmented by rapidly growing sophistication. Some institutional voids in EMs, particularly in the sphere of regulations, are diminishing (Aulakh and Kotabe 2008). Further, MNCs themselves are no longer new to EMs (Meyer et al. 2009), shifting from reliance on global value chains that buffer local institutional demands (Yildiz and Fey 2012) to increasingly local bases (Luo 2007). Where voids remain, they can manifest themselves into institutional risks and impede full utilization of MNCs' strategic competencies and capabilities (Hermelo and Vassolo 2010).

Along with the potential improvements of the institutional structures within EMs, another issue pertinent to MNCs is the role of state and politics in these countries (Yaprak and Karademir 2011). The traditional view of MNCs portrays them as playing a key role in local economic development (Paul and Barbato 1985), suggesting that the state apparatuses in EMs are geared toward accepting the unique contribution made by MNCs to local development. Traditionally, this scenario favored MNCs (e.g., Boddewyn and Brewer 1994). However, this trend reversed with the recent rise of EM multinationals (EMNCs; Kedia et al. 2012). EMNCs' growth and improved local resources have intensified competition in EMs and decreased their reliance on MNCs for knowledge and technology transfer (Luo 2007). MNCs also face rising skepticism toward globalization and economic nationalism around the world, not least in EMs (D'Costa 2012). China's and India's "Made in China 2025" and "Make in India" policies appear to reflect nationalistic policymaking. Further, past issues in EMs persist, including political risks arising from unrest and growth of the orthodox state. Finally, though EMs might still lack legal or normative recourse to the protection of their natural resources and people (Collins 2009), global NGOs have progressively intensified their scrutiny of MNCs' environmental and social conduct in these countries (Marano and Tashman 2012).

The ease of MNC adaptation in EMs therefore should not be taken for granted. Uneven institutional change within and across these settings is likely to result in both global and local

players being subjected to different degrees and types of institutional pressures. This calls for a more fine-grained examination of post-entry strategies of MNCs in EMs (Meyer and Peng 2016), which we analyze by employing the concept of organizational field positions.

3. MNC Field Positions in Emerging Markets

There are multiple ways of conceptualizing organizational fields for MNCs, ranging from views exploring peer groups to the analysis of interorganizational networks (Meyer and Peng 2016). Another perspective views MNCs as forming their own field of transnational actors in which shared global norms and rules are institutionalized (Kostova et al. 2009). Yet, this view portrays subsidiaries as mostly disembodied from the national context (Phillips and Tracey 2009). Rather, subsidiaries join various types of fields in host countries and “increase their interactions with suppliers, customers, and competitors; they participate in common activities such as industry associations” (Phillips and Tracey 2009, p. 107). This implies that subsidiaries contend with pressures for local isomorphism and meeting stakeholder expectations (Shi and Hoskisson 2012). IB literature on embeddedness has also recognized that MNCs form relationships with various actors in host countries and that these relationships may differ in strength (Li et al. 2008).

For the purpose of this paper, we focus on industry as a means of delineating exchange field boundaries for MNCs in EMs. Industry-based fields are a variation of exchange fields—generally settled, reflecting boundaries of industries, professions or social movements and characterized by center-periphery structure, governed by formal governance units such as national regulators and the state (DiMaggio and Powell 1983; Zietsma et al. 2017). Their members are subjected to the processes of isomorphism and diffusion, widely discussed in

organization and IB research³. Apart from competing, industry participants can collaborate, for instance through industry associations, to lobby for their interests. We therefore maintain that an industry-based exchange field analysis provides a useful way of balancing broad field definitions based on national boundaries, and fields based around MNC-specific interorganizational networks.

Following previous research, we define field position as the *structural location of a subsidiary within the relevant exchange field* (Kim et al. 2016; Wright and Zammuto 2013). Within exchange fields, subsidiaries will likely differ in terms of their access to tangible and intangible resources, such as financial, human or social capital. Bartlett and Ghoshal (1989) discuss differences in subsidiary charters, associated with differences in local resource commitment and strategic behavior. This is closely indicative of local set-ups, such as a limitedly engaging local subsidiary (e.g., representative office) or partially (minority or majority) owned joint venture operations. As subsidiaries differ in the extent to which they depend on local or global resources and in the locus of their interests (i.e., intra-MNC or externally-focused), they may follow either subsidiary- (local) or corporate-focused (MNC) logic⁴, thus prioritizing local over corporate interests and vice versa.

We argue that operating at the field center or periphery, or in between the two in the intermediate position, is closely associated with different benefits and costs to the subsidiary. As subsidiaries prioritize local or MNC-specific interests and resources, local actors impose different expectations upon MNCs, which has direct implications for MNCs' institutional strategies. Indeed, Marquis and Raynard (2015, p. 322) suggest that “the target, prioritization, and timing of institutional strategies are likely to vary between contexts”. First, there is a

³ We recognize that even seemingly stable industries are likely to experience turbulence in EMs. Here, we are guided by previous work in IB where industry has been used to examine key EM phenomena over time, such as FDI spillovers (e.g., Meyer and Sinani 2009).

⁴ We follow Kostova et al. (2018), who use the concept of institutional logics to distinguish between headquarters and subsidiary self-interest, i.e., priorities, preferences, values, beliefs, and practices that have been established and institutionalized over time in a particular organizational entity, to argue that national subsidiaries may in some cases put interests of the unit above those of the MNC as a whole.

pronounced need for subsidiaries to align their strategies with corporate FDI objectives and resource commitments (see, e.g., Dunning and Lundan 2008). Second, institutional strategies may be less available—or indeed useful—to companies facing particular EM conditions. We theorize these relationships in the rest of this section.

3.1. Central position

MNCs positioned close to the field center are likely to be well-established, high-status companies in host markets, with a high degree of commitment to the local economy, for instance demonstrated through localization of manufacturing (Bartlett and Ghoshal 1989; Dörrenbächer and Gammelgaard 2006)⁵. A central field position is likely to be associated with MNCs expecting greater returns from locally-specific resources and adopting a local logic. This amplifies their visibility, or the extent to which external actors that directly affect MNCs' operations take an interest in their activities (Meznar and Nigh 1995). With greater visibility, however, MNCs encounter greater stakeholder scrutiny (Chiu and Sharfman 2011) and hence the need to sustain their conformity to prevalent institutions.

A long-standing suggestion for MNCs is to prioritize the value of local legitimacy as a key intangible resource in host markets (Kostova and Zaheer 1999; Stevens et al. 2016). MNCs suffer from liability of foreignness (LOF), which results in discriminatory treatment by local actors (Zaheer and Mosakowski 1997). When LOF is acute, MNCs may consciously prioritize local expectations over corporate interests (Wu and Salomon 2016) to increase local embeddedness and to position themselves at the center of their respective fields. To gain legitimacy in institutionally distant countries, MNCs may even engage in corrupt practices that are widely accepted locally but clash with corporate norms, thus straining their internal legitimacy within the corporate network (Rodriguez et al. 2005).

⁵ While referring to centrally-positioned MNCs, we recognize that the most central actors in local fields are the state actors. This argument is consistent with theorizations of field in organizational literature, where centrality of governments and regulators is equally stipulated (cf. Zietsma et al. 2017). It is nevertheless possible to highlight the centrality of MNCs, as manifested in their high status, reputation and visibility in EMs.

Field constituents in EMs are most likely to expect centrally-positioned companies to prioritize investment in locally-specific, as opposed to MNC-specific, resources. These pressures and local expectations become directly and indirectly incorporated into MNCs' license to operate in the host country (Henisz and Zelner 2005; Jamali 2010) and may constrain the realization of strategic corporate interests. In EMs, MNCs may also be expected to put efforts into maintaining local legitimacy through regulatory and normative compliance, or social responsibility (Campbell et al. 2012). Zhang and Luo (2013), for instance, show that MNCs in China were pressured by journalists and consumers to donate funds to the disaster relief initiatives. Central MNCs are also expected to generate positive local spillovers by leveraging company-specific resources such as technology and know-how, or development of local human capital through training (Mudambi and Mudambi 2005; Blomstrom and Kokko 2003).

Although large and visible MNCs may be motivated to engage in shaping local regulatory and normative infrastructure (Hillman and Wan 2005), greater expectations from field constituents can limit the extent to which they can emerge as rule-makers as opposed to rule-takers in the host country system. By favoring local linkages, MNCs may be compelled to engage in joint initiatives championed by the local actors, such as governments and NGOs (Boddewyn and Doh 2011). This constrains the extent to which they can enjoy institutional freedom. As an executive from Ciputra Group reflected, after working closely with the government on infrastructure-building strategies in Vietnam, "the government has to have its say; we sometimes have to do things they want that really don't make much sense" (Carney et al. 2016, p. 830).

Given the importance of perception and evaluation of an MNC by local stakeholders in the host market, we theorize that:

Proposition 1. Centrally-positioned MNCs in EMs will tend to prioritize relational strategies toward central actors so that their infrastructure-building and socio-cultural bridging strategies are guided to foster local relationships.

3.2 Peripheral position

MNCs occupying a peripheral position vary in size, resources and mandate, ranging from large yet niche-oriented (Edman 2016), or small and competence-exploiting companies (Cantwell and Mudambi 2005), to recent entrants in the market (Johanson and Vahlne 2009). Peripheral MNCs are not embedded within wide-ranging social networks in host markets and are likely to rely on intra-MNC support to develop and exploit capabilities. New entrants may gradually develop local knowledge and relationships (Zaheer and Mosakowski 1997), but are initially likely to draw on intra-MNC networks. Such MNCs, in effect, are “driven by a corporate-focused logic” and “committed to protecting corporate interests and achieving corporate goals” (Kostova et al. 2018, p. 2628), whether due to HQ pressures, or because they recognize the superiority of MNC practices over local ones (e.g., Spencer and Gomez 2011). In other scenarios, local actors may also purposefully exclude peripheral MNCs from their networks (Mutlu et al. 2015; Zaheer and Mosakowski 1997).

Because of limited engagement and visibility, these MNCs can “fly under the radar” of local audiences (Puck et al. 2013), who nevertheless impose some baseline expectations upon them.⁶ Such demands include pressures for non-negotiable compliance with local regulations and ethical corporate behavior espoused by the regulators and the civil society (Delmas and Toffel 2004; Müllner and Puck 2018). For instance, Mbalyohere and Lawton (2018) showed how a Norwegian MNC operating in the Ugandan utilities industry distinguished itself through outstanding compliance with sectoral benchmarks, while limiting its political connections.

⁶ This is consistent with Suchman’s assertion that “if an organization simply wants a particular audience to leave it alone, the threshold of legitimization may be quite low” (1995, p. 575).

With greater emphasis on corporate interest, peripheral MNCs can also expect greater returns from company-specific resources, such as proprietary technology, practices or talents. The recent concept of *cultivating foreignness* (Edman 2016) suggests that notwithstanding prolonged local presence MNCs can realize corporate interests by purposefully seeking a niche peripheral position in host fields by *choice*, for instance, by actively avoiding participation in local industrial networks (Regnér and Edman 2014). They may therefore demonstrate symbolic compliance with local pressures without losing foreign distinctiveness and disrupting global coherence. Crucially, in EMs, such baseline compliance need not require considerable investment, given the high heterogeneity of local expectations (Yildiz and Fey 2012).

Although the peripheral position may buffer MNCs from some institutional risks stemming from over-embeddedness in local networks (Meyer and Thein 2014), it also constrains corporate opportunities to shape the institutional environment in the absence of motivation and limited resource commitment associated with local embeddedness (Rugman et al. 2011). Through limited local engagement, MNCs can only develop partial understanding of local stakeholders' legitimacy requirements (Marano and Tashman 2012) and, hence, can be limited in the effectiveness of corporate institutional strategies.

Based on the above arguments, we suggest that peripherally-positioned MNCs will be unlikely to pursue substantial infrastructure-building projects, which require extensive local commitment and prioritization of subsidiary logic and local interests. Instead, they could pursue socio-cultural bridging to span institutional distance (Fortwengel 2017) and achieve and/or maintain internal legitimacy without radically disrupting local institutions. MNCs might, for instance, invest in human capital development through HQ-mandated human resource management practices. The Norwegian MNC in Uganda addressed gender equality in the country by hiring a female CEO, "something that was still rare in Africa" (Mbalyohere and Lawton 2018, pp. 743–759). Since peripheral MNCs are unwilling—and at times unable—to

access central actors directly, they leverage co-optation of other non-central actors with links to the central players to influence them if/when required (Prithwiraj et al. 2012).

Given the importance for MNCs to maintain a global coherence of corporate competences and attain only a baseline local legitimacy and status in the host market, we propose that:

Proposition 2. Peripherally-positioned MNCs in EMs will tend to prioritize socio-cultural bridging strategies at the expense of infrastructure-building, and their direct and indirect relationship-building will be oriented toward local peripheral actors alongside the intra-MNC network.

3.3 Toward the dynamic view of the intermediate position

Litrico and David (2017, p. 1007) recently noted that “in prior conceptualizations, actor positions were often defined in structural terms, and seen as relatively static over long periods of time”. The current approach, which we define as a *structural stability*, denoting both the (1) static nature of field positions and (2) actors’ fixed propensity to occupy and maintain their positions in fields, has implicitly dominated the theoretical agenda in both organization theory and IB. Indeed, field positions can be relatively stable. However, actors’ occupancy of field positions can change. For example, peripheral actors can attempt to improve their position by introducing path-breaking change that undermines the power of central actors (Munir and Phillips 2005), or by forming alliances to advocate change and/or shield themselves from isomorphic pressures (Lepoutre and Valente 2012). In addition to these endogenous (i.e. intra-organizational) mechanisms, exogenous shocks, such as changes in societal expectations (Maguire and Hardy 2009), new entrants (Leblebici et al. 1991), or government actions (Lenway and Murtha 1994) can cause MNCs’ field positions to change.

We therefore argue that a static view of MNC field positions is insightful but insufficient to fully capture MNCs’ post-entry experiences. Arguments of managerial

intentionality indicate that MNCs may be able to change their positions when they perceive the need or the opportunity to do so. Additionally, MNCs can experience a change in their position as a result of external forces (Santangelo and Meyer 2011). Informed by a dynamic view of strategy-making (Mintzberg and Waters 1985), we propose that the *intermediate* position captures the transition of MNCs in between the center and periphery of fields to theorize an interactive perspective on field positions and MNC strategies in EMs.

Following this rationale, we consider the potential drivers behind MNCs occupying intermediate positions in a host country field. First, instigated by the organizational strategy and the managerial intent, it denotes the trajectory of deliberate MNC repositioning between the *original* and the *intended* field positions. Alternatively, supported by the argument of inherently turbulent institutional environments in EMs, occupancy of the intermediate field position can be instigated by exogenously-driven changes, thus capturing organizational repositioning between the *original* and the *induced* field positions. We argue that endogenously- or exogenously-driven intermediate positions will affect differently the scope and configuration of subsidiary institutional strategies in EMs.

Exogenously-driven intermediate position

We consider two trajectories of MNCs' externally-driven transition, both of which can be a result of actions by other actors or the structural change: from central to peripheral and from peripheral to central field positions.

From the center to the periphery. The central position in EMs comes with numerous risks. Maintaining centrality can become costly as government and other stakeholder demands become more stringent and sophisticated, increasing the costs of compliance and the extent to which the seemingly void-ridden environment of EMs can be malleable⁷ (Marquis et al. 2011).

⁷ Recently, for example, Facebook and Instagram started to comply with the decisions of the Russian courts, often criticized for suppressing expressions of personal opinions on such platforms, in order to maintain their central position in the local social media field (Kommersant 2018).

Due to isomorphism, embeddedness in established structures makes MNCs' maneuvering for institutional change more difficult (Huang et al. 2017). For example, after China's WTO accession and opening of the mobile telecom market to foreign competition, the government introduced policies favoring the CDMA technology over GSM, which undermined the competitive position of large multinational mobile phone companies (Luo 2007). Moreover, in the wind turbine industry, the Chinese government gradually increased preferential treatment for local companies. As they assumed greater dominance, Vestas, the global industry leader, fell from second to 11th place in the local market ranking between 2006 and 2013 (Mathews and Tan 2015). Here, the combined effects of protectionist policies and the strengthened local competition effectively shifted the power balance in the industry.

Several drivers can lead MNCs to reposition from field center to the periphery. Organizational theorists have argued that central actors may be subjected to greater scrutiny and accountability than their low-status peers who engage in similar transgressions (King and Carberry 2017). In a case of imposition of stakeholder demands in China, the authorities attempted to "catalyze change in the pharmaceuticals market" where bribery was "widespread", which involved a crackdown on GlaxoSmithKline's (GSK) subsidiary. In response, GSK introduced the toughest internal regulations on the market, hoping that the industry would follow. The change did not spread to the rest of the field (*Financial Times*, 2015). GSK was not the only corrupt company in China, but its visibility and size, however, made it an appropriate target for state intervention.

The central position may also come with the risk of obsolescing legitimacy, whereby MNCs experience a "gradual loss of legitimacy before the local society resulting from the identification of this firm with a previous social and/or political regime...perceived as illegitimate or archaic" (Bucheli and Kim 2012, p. 849). Politically-connected Turkish MNCs in Libya experienced a legitimacy loss when the Qadhafi regime, who controlled "nearly every contract" in the industry, was overthrown in 2011's Arab Spring (Darendeli and Hill 2016, p.

17). Similarly, Bucheli and Kim (2012) discuss the case of United Fruit Company's obsolescing legitimacy across multiple Central American countries as a result of its tight political connections becoming a liability in the aftermath of coups or unfavorable election outcomes.

In sum, externally-induced changes reduce central actors' scope for agency by diminishing their symbolic resources (legitimacy and status) and ultimately reducing the value of their other (e.g., tangible) resources to field constituents. With diminishing legitimacy, MNCs who find themselves on this trajectory from center to periphery will likely invest in enhancing their social fitness through socio-cultural projects at the expense of building institutional or physical infrastructure that would otherwise benefit them. This follows organization theory, where focusing on survival under legitimacy threat causes actors to follow safe, conformity-driven strategies to maintain field membership (Moliterno et al. 2014). In an earlier illustration, GSK enhanced self-regulation, although its attempts at normative infrastructure-building in China failed. In the early 1970s, United Fruits announced extensive social programmes that spanned Latin America to position itself as "the most socially conscious" American company in the region (Bucheli 2008, p. 448). In this situation, MNCs' local relational strategies will likely be limited by decreasing legitimacy. Instead, they may fall back on relationships with other intra-MNC actors (HQ or other subsidiaries), who may provide strategic advice or knowledge based on prior experience.

In view of the obsolescing MNCs' local legitimacy and increased local scrutiny, we propose the following:

Proposition 3a. On a trajectory from the center to the field periphery in EMs due to effects of external changes, MNCs will tend to prioritize socio-cultural bridging at the expense of infrastructure-building, and their local relational strategies will be limited in scope, instead re-focusing on intra-MNC network.

From the periphery to the center. In an alternative scenario, MNCs can benefit from an institutional change in the country despite not being directly involved in orchestrating it. First, organization theory scholars observed the phenomenon of “unearned status gain” resulting from external change or action (Neeley and Dumas 2016). We have argued that institutional transitions in EMs often come with a changing balance of power and loss of status among central actors, but the consequences of change can also benefit peripheral firms who might enjoy a post-transition status gain.⁸

Additionally, transition from field periphery to center can be driven by the changing conditions that privilege MNCs due to their (superior) capabilities and thus heighten the legitimacy of their practices. Child and Tsai (2005) describe the formation of the environmental protection system field in China. The government-initiated process involved multiple actors, including NGOs, the media, and MNCs, brought on board “by virtue of the technical expertise offered to governmental agencies and the standards transferred from MNCs in developed economies...” (p. 1023). In this case, some MNCs benefitted from the state’s role as an institutional entrepreneur and were able to become “involved in the ‘relational framework’...of institutional development through joining advisory bodies or working parties and assisting regulatory agencies with relevant research” (p. 1024). Notably, it was not the effort of MNCs themselves that changed their position—they indeed became “field makers” in the area of environmental protection, albeit on the state’s terms.

Under these scenarios, MNCs’ commitment to the market, expressed in terms of the weight of their infrastructure investment, will not be perceived as a burden, but rather as a necessity for expanding local corporate interests. MNCs will, therefore, be justified in prioritizing infrastructure-building strategies, particularly in the area of norms and regulations but may also implement physical infrastructural projects, specific to their capabilities and local

⁸ Notably, in Darendeli and Hill’s (2016) study, some firms developed ties to mid-level (non-central) bureaucrats who maintained a degree of independence from the regime, which benefitted them in the aftermath of radical institutional change.

demands, more so than socio-cultural bridging. They direct relationship-building toward local and global (i.e., intra-MNC) actors, leveraging company-specific resources, such as technology and experience, to pursue MNC interests on local terms (Narayan and Fahey 2005). With time, intra-MNC relationships become deprioritized as global resources and knowledge undergo local adaptation.⁹

In view of the MNCs' 'unearned' status and legitimacy gains, we propose that:

Proposition 3b. On a trajectory from the periphery to the field center in EMs due to effects of external changes, MNCs will tend to prioritize infrastructure-building over socio-cultural bridging strategies, and their relationship-building strategies will be oriented both toward central local and global (intra-MNC) actors.

Endogenously-driven intermediate position

MNC transition in fields, driven by the pursuit of corporate strategies, can take two forms: from central to peripheral and from peripheral to central field positions. Both trajectories, we argue, constitute proactive *strategic responses* (Oliver 1991) to environmental changes, based on managerial perceptions of the resulting opportunities or risks (Hadjikhani and Johanson 1996).

From center to periphery. We have argued that occupying a central position may be associated with MNCs exercising limited institutional freedom. Li and colleagues (2008) show a curvilinear relationship between local embeddedness and performance for MNCs in China, emphasizing that strong isomorphic pressures of local over-embeddedness may negatively affect subsidiary competitiveness vis-à-vis other (including domestic) firms. To avoid constraints, some MNCs may choose to reposition from field center to periphery to gain greater

⁹ This is perhaps best illustrated by Park and Vanhooacker's (2007, p. W8) thesis that in China MNCs "must turn the aphorism "think global, but act local" on its head...their behavior must match their global standards, as expected by the Chinese".

‘institutional freedom’¹⁰. This argument is consistent with Dunning and Lundan’s (2008) classification of efficiency-seeking behavior by MNCs in host markets.

Centrally-positioned MNCs may experience negative effects of dominant local prescriptions, such as corruption, or poor environmental or organizational practices, which are still prevalent in many EMs (Zhao et al. 2014). Institutional scholars note that the tactics of “shying away” from attention allow organizations to avoid the scrutiny of dominant actors (Sgourev 2013). MNCs may engage in strategic self-marginalization (Shi and Hoskisson 2012) to avoid isomorphic pressures for compliance with undesirable practices (Spencer and Gomez 2011), which would set them on a collision course with HQ. To this end, they can limit their visibility by reducing commitment in host markets (Meyer and Thein 2014), or adopting locally deviant practices, such as self-regulation (Christmann and Taylor 2001) as a sign of voluntarily embracing the corporate logic. Alternatively, as local competitors strengthen over time (Luo 2007), MNCs may strategically choose to refocus their operations in the country toward niche positions where they can still leverage global competences (Edman 2016). In the Russian banking industry, for example, local state-owned and private banks (e.g., Sberbank and VTB) emerged as the dominant players in the retail banking sector. Unwilling to leave the market, large foreign banks were forced to retreat into the investment banking sector where they could use their global experience and brands to benefit from relationships with multinational clients (*Financial Times*, 2011).

Whether avoiding undesirable compliance, or transitioning into a niche segment, repositioning from center to periphery may also require MNCs to refocus their relational networks. Organization theory posits that companies dynamically evaluate their stakeholders’ salience and legitimacy (Mitchell et al. 1997). MNCs will attempt to de-prioritize ties with actors deemed as lacking legitimacy in the eyes of management and/or advocating unwanted

¹⁰ See Edman (2016) for a similar argument on maintaining a minority identity by MNCs in developed countries.

practices. Instead, they will direct relationship-building toward other peripheral—or niche—actors to justify self-marginalization through increasing integration of HQ-mandated practices and less intensive field participation, gradually reducing their reliance on central actors to avoid their retaliation. Meyer and Thein (2014) show that with their home countries imposing sanctions on Myanmar, Western MNCs pursued a low-profile strategy in the country, limiting commitment and relationships to “critical” stakeholders.

While deliberately de-prioritizing local status, MNCs will likely abstain from making significant infrastructural investments, which would either be unappreciated by field constituents or clash with corporate objectives. Siegel et al. (2018) find that although weakly locally embedded MNCs quickly recognized the value of hiring female talent in South Korea, with small numbers and “counter-reaction from many regulators, customers, business partners, and/or male employees” (p. 24), these practices remain deviations from the norm. On the other hand, when France’s Alcatel attempted to improve Myanmar’s telecom infrastructure and ultimately establish a GSM network, this effort undermined the MNC’s global legitimacy (Meyer and Thein 2014). In line with our earlier arguments on the peripheral position, we expect that this transition will entail selectively attending to socio-cultural bridging to maintain the license to operate and addressing socio-cultural issues directly related to MNCs’ local operations, such as absence of managerial talent.

In view of deliberate self-marginalization and de-prioritization of local status by MNCs, we propose that:

Proposition 3c. On trajectory from the center to the field periphery in EMs as part of the intended organizational strategy, MNCs will tend to leverage local relationships with legitimate peripheral or niche actors to de-prioritize infrastructure-building and will selectively attend to the socio-cultural bridging.

From the periphery to the center. Driven by their aspirations, organizations can attempt to enhance their status (Boyle and Shapira 2012). According to Sgourev (2013, p. 1612), the “advancement from the periphery to the core is aided by the collective action of assembling resources, building coalitions” and “developing institutional infrastructures”. Accordingly, we propose that this trajectory can be driven by MNCs’ increased motivation to improve their local status, especially by seizing opportunities offered by changing institutional conditions, such as liberalization, introduction of pro-FDI policies and reforms, and favorable shifts in local norms and practices (Rao-Nicholson and Salaber 2016; Taylor 2017). MNCs will be more compelled to gain local legitimacy through participation and compliance. Indeed, such strategic isomorphism (Deephhouse 1996) has been linked to “favorable perception” and “formal endorsement by regulatory agencies” (Doh et al. 2010, p. 1464).

As repositioning from the field periphery to the center requires accumulating significant symbolic and physical resources, MNCs will be motivated to invest heavily in infrastructure and socio-cultural bridging to support their intended strategy (Narayanan and Fahey 2005). Crucially, they must create demand for such investments by building local relationships¹¹. Yet, accessing central actors from a position of limited visibility is challenging. Some of the relational strategies for these MNCs may involve building local alliances (Boisot and Child 1996), taking part in industrial associations with other actors to collectively promote subsidiary interests (Zhang et al. 2016), choosing to locate in industry clusters where MNCs can develop linkages with local firms (Birkinshaw and Hood 2000) or NGOs (Marano and Tashman 2012). These efforts could enable peripherally-located MNCs to enhance their position and move closer to the field center by accumulating symbolic resources such as status and visibility. In return for improved social position, they can provide local actors with valuable resources,

¹¹ Isobe et al. (2000), for instance, argue that developing guanxi connections in China requires foreign companies to demonstrate the value of their investments to the local actors.

expertise, and know-how (Narayanan and Fahey 2005), which can conceivably lead to diffusion of MNC practices within the field.

Institutional transitions create uncertainty, but can also reduce the extent of isomorphic pressures in host country fields by creating multiple norms to which actors can adhere (Newman 2000). This creates opportunities for peripheral actors to improve their position by advancing the legitimacy of their practices. For instance, Oriflame and Avon entered Russia in the early stages of market transition, but gaining a foothold was not easy at first. The concept of door-to-door selling was new to Russia, so Oriflame engaged in innovative socio-cultural bridging strategies. It recruited men and became the first direct sales company in the country to use TV advertising, even sponsoring a popular soap opera with a door-to-door cosmetics saleswoman as one of the main characters. Avon and Oriflame also co-founded the Russian Direct Sales Association (RDSA), which aims to popularize direct sales in Russia and preempt emergence of pyramid schemes, often expanded using the direct sales technique, by advising the government on best related practices and regulations (RDSA, 2018). Finally, Avon was the first direct sales MNC to build a local manufacturing plant in Russia. That both companies succeeded in becoming central actors is reflected in the wide acceptance of the direct sales as a legitimate practice and successful engagement of the media as a key stakeholder (Jones 2010; *Financial Times* 2012; *Bloomberg* 2015)¹².

Driven by MNC objectives to acquire greater local legitimacy and status in the host market, we propose that:

Proposition 3d. On trajectory from the periphery to the field center in EMs as part of the intended organizational strategy, MNC subsidiaries will tend to use symbolic and tangible resources to indirectly foster stronger relationships with local central actors and pursue both infrastructure-building and socio-cultural bridging.

¹² That Avon and Oriflame succeeded in reaching a central position is evidenced by the fact that similar companies, e.g. Mary Kay and Amway, are thriving in Russia now. Diffusion of their practices is also evidenced by the emergence of a local rival, Faberlic, who followed suit by adopting the same business model.

4. Discussion and Conclusion

4.1. Theoretical and practical implications

Our aim in this paper was to integrate arguments from IB and organization theory to establish the importance of organizational field positions for MNCs' strategic agency toward institutions, specifically in EMs. IB scholars have acknowledged that MNCs have a variety of response strategies to institutional conditions, ranging from more passive adaptation to proactive shaping of the institutional environment to overcome its challenges and imperfections (Marquis and Raynard 2015; Doh et al. 2017). Multinationality alerts decision-makers to alternative institutional templates, imbuing MNCs with potential to act as change agents, not least in EMs (Regnér and Edman 2014). We propose, therefore, that this strategic advantage of multinationality can be tempered by MNC field position, which dictates the choice and scope of available *configurations* of institutional strategies. The central argument of our paper is that these strategies are not equally available to all MNCs, nor do they uniformly lead to firms achieving their desired outcomes in the host market. Therefore, our first contribution is to institutional literature on MNCs' institutional strategies in EMs (Meyer and Peng 2016).

Drawing on the typology introduced by Marquis and Raynard (2015), we explain when, how and on whose terms MNCs across different field positions can shape EM institutions. In EMs, firms are faced with considerable performance expectations from the headquarters and pressures from stakeholders to contribute to the local institutional development (Ramamurti 2001). We propose that by deploying strategies inappropriate for their field positions, MNCs will not benefit from either over- or under-commitment to the host market. When losing or willfully sacrificing local legitimacy (e.g., Propositions 2, 3a, 3c), MNCs are unlikely to benefit from investing in various types of infrastructure, as these efforts are likely to be challenged or

underappreciated by the local stakeholders. Meanwhile, MNCs need to carefully manage local relationships to maintain their license to operate or improve local legitimacy and status (e.g., Propositions 1, 3b, 3d). Table 1 summarizes our theoretical arguments.

[INSERT TABLE 1 HERE]

Our second contribution lies in advancing the concept of organizational field and field positions for MNCs, thus responding to the call by Phillips and Tracey (2009, p. 170) for IB researchers to “take the concept much more seriously”. In previous work, fields have often been narrowly equated with nation-states (e.g., Kostova and Roth 2002). Our perspective aligns with the proposal by Phillips and colleagues (2009, p. 343) to define fields as dynamic spaces based around “the activity in which the MNC is involved”. By viewing MNCs’ field positions as dynamic, we can conceive of fields as interactive and inhabited (Meyer et al. 2005). MNCs find themselves in particular field positions as a result of exogenous forces, such as institutional change, but also through purposeful work driven by strategic managerial intent. Positioning in fields involves struggle, negotiation and dynamic trade-offs between local and global interests and interplays between internal and external sources of legitimacy (Pant and Ramachandran 2017). Position maintenance will thus be very resource- and effort-intensive—and occasionally not a viable option. Further, MNCs are embedded in networks of stakeholder relations, which they can strategically prioritize as they strive to change their positions. Inevitably, changing relationships with powerful stakeholders or endorsing peripheral actors will have consequences both for the firm and the field structure (Phillips et al. 2009). Indeed, our framework supports an interactive view that organizational fields “shape the activities of MNCs, but MNCs, in turn, also shape the fields they are a part of” (Phillips and Tracey 2009, p. 170).

Using MNCs as a research context (Roth and Kostova 2003), we also contribute to the current debate on field positions in organization theory. Wright and Zammuto (2013) recently

proposed that intermediate, actors face competition from both high-status and low-status field participants and are often interested in challenging established institutions. Zietsma and colleagues (2017) theorize that these actors may be likely to innovate in “fields where they have the opportunity to increase their share of rewards associated with status quo arrangements” (p. 407). Leveraging the context of MNCs in EMs, we extend this debate and propose a dynamic view of the intermediate position as resulting from external forces or purposeful strategizing toward institutions, which then shapes the scope of agency for these actors. In doing so, we reconcile the views of these organizations as proponents of change or passive recipients of isomorphic pressures.

Our conceptual arguments have a number of boundary conditions. First, our focus on industry-based fields implies some degree of stability in field definitions and boundaries. It would be particularly fruitful to examine how MNCs position themselves in other fields.¹³ Second, powerful stakeholders, such as governments and state-owned enterprises, may enforce rules and regulations curtailing any opportunities for MNCs to advance toward a central field position. Future work could explore how powerful local and foreign actors in EMs compete for field positions, resources and meanings (cf. Zietsma et al. 2017). Lastly, we focused on MNCs from developed countries, whereas EMNCs may be better equipped with “south-to-south” competencies (Cuervo-Cazurra and Genc 2008).

¹³ For instance, Wu and Jia (2018) discuss MNCs’ interorganizational networks in supply chain fields in China, where MNCs are positioned as field creators, implying a radically different kind of dynamics.

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TABLE 1
Summary of key arguments

Position	Impetus for change	Infrastructure-building strategies	Socio-cultural bridging strategies	Relational strategies	Key arguments
Central	N/A	Yes, in support of relational strategies	Yes, in support of relational strategies	Fostering and prioritizing relationships with local central actors	<ul style="list-style-type: none"> Significant stakeholder scrutiny that comes with over-embeddedness explains the need for maintaining strong local legitimacy and status; MNCs build relationships with central local actors; MNCs conform to prevalent local institutions and pursue extensive market commitment strategies.
Peripheral	N/A	No	Yes, selective to bridge institutional distance	Prioritizing relationships with local peripheral actors alongside intra-MNC relationships	<ul style="list-style-type: none"> 'Cultivating foreignness' is explained by the perception of superiority of corporate practices; No strong local legitimacy or status sought; MNCs build relationships with non-central actors to reach central local actors if required; MNCs undertake symbolic (baseline) compliance and pursue low-commitment strategies.
Intermediate: center to periphery	External	No	Yes, to improve social fitness	Local relationships are limited in scope; fostering intra-MNC relationships	<ul style="list-style-type: none"> Obsolescing local legitimacy explains the need for MNCs to improve social fitness; MNCs are limited in building relationships with local actors and re-focus on intra-MNC relationships for guidance; MNCs are guided by conformity with prevalent local institutions and follow safe (low-commitment) strategies.
Intermediate: periphery to center	External	Yes, in line with local demands	No	Fostering and prioritizing relationships with central local actors; de-prioritizing intra-MNC relationships	<ul style="list-style-type: none"> 'Unearned' status and legitimacy gains are explained by the increasing usefulness of corporate practices and capabilities to central local actors; MNCs build relationships with local actors and gradually de-prioritize global ties as they become more central; MNCs become a part of the wider-initiated institutional change and pursue rapidly committing strategies to extend their legitimacy gains.
Intermediate: center to periphery	Internal	No	Yes, selective	Building relationships with peripheral/niche local actors	<ul style="list-style-type: none"> Negative effects of over-embeddedness explain why MNCs forgo local legitimacy and status to preserve global/intra-MNC legitimacy; MNCs prioritize self-marginalization by reducing relationships with dominant local actors advocating undesired practices; To delimit retaliation for this uncoupling, MNCs foster relationships with local peripheral/niche actors; MNCs deviate from local institutions and pursue low-commitment strategies.
Intermediate: periphery to center	Internal	Yes, extensive	Yes, extensive	Building relationships with local central actors	<ul style="list-style-type: none"> To seize opportunities in the market, MNCs seek to acquire greater local legitimacy and status; MNCs indirectly develop relationships with local central actors by building alliances with local firms and NGOs and using media; Strategic isomorphism guides MNCs to conform to prevalent local institutions and to pursue expanding market commitment strategies to further their legitimacy.